

2008/2009

# ANNUAL FINANCIAL STATEMENTS



**[METSWEDING DISTRICT MUNICIPALITY]**

**GENERAL INFORMATION**

**for the year ended 30 June 2009**

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# **METSWEDING DISTRICT MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS 2008/09**

### **GENERAL INFORMATION**

**for the year ended 30 June 2009**

#### **EXECUTIVE MAYOR**

Councillor A. Mlondobozi

#### **SPEAKER OF THE COUNCIL**

Councillor R. Makola

#### **MEMBERS OF THE MAYORAL COMMITTEE**

Councillor J.S. Mabona

Councillor J.M. Masango

Councillor R.N. Seoketsa

#### **MEMBERS OF THE METSWEDING DISTRICT MUNICIPALITY**

Councillor V.S. Botha

Councillor M.M. Chaba

Councillor J.H. Faul

Councillor M.I. Janse van Vuuren

Councillor H.A.M. Khan

Councillor E.S. Mashiloane

Councillor P.M. Moloi

Councillor P. Pitseng

Councillor T.J. Rossouw

Councillor P.J.A. van der Merwe

#### **MUNICIPAL MANAGER**

Mr. N. Pillay (seconded to Kungwini Local Municipality w.e.f. 6 April 2009)

Mr. E.V. Sweeney (acting w.e.f. 6 April 2009)

#### **CHIEF FINANCIAL OFFICER**

Mr. E.V. Sweeney

#### **GRADING OF THE LOCAL AUTHORITY**

Grade 3 (2006: Grade 4) for the purpose of the remuneration of councillors.

#### **AUDITORS**

Auditor – General

#### **BANKERS**

ABSA Bank Limited

#### **REGISTERED OFFICE**

MEEC Building

287 Iridium Street

Ekandustria

#### **POSTAL ADDRESS**

Private Bag X10579

Bronkhorstspuit

1020

#### **CONTACT DETAILS**

Tel: (013) 933 6500

Fax: (013) 933 3566



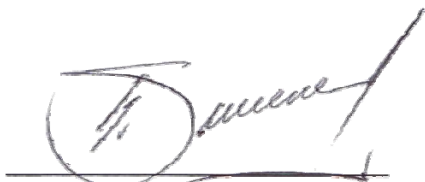
## **METSWEDING DISTRICT MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS 2008/09**

#### **DECLARATION OF THE ACCOUNTING OFFICER for the year ended 30 June 2009**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 32, in terms of Section 126(1) of the Municipal Finance Management Act, 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 12 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



E.V. Sweeney  
Acting Municipal Manager  
31 August 2009



**METSWEDING DISTRICT MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS 2008/09****STATEMENT OF FINANCIAL POSITION  
as at 30 June 2009**

	NOTES	2009 R	2008 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>17 130 249</b>	<b>17 407 587</b>
Government grant reserve		63 329	110 174
Revaluation reserve		2 652 838	-
Accumulated surplus		14 414 082	17 297 413
<b>Current liabilities</b>		<b>10 488 708</b>	<b>16 964 009</b>
Provisions	2	57 068	57 068
Creditors	3	4 272 317	2 198 433
Unspent conditional grants and receipts	4	6 159 323	14 708 508
<b>Total net assets and liabilities</b>		<b>27 618 957</b>	<b>34 371 596</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>5 968 938</b>	<b>3 573 583</b>
Property, plant and equipment	5	5 907 241	3 573 583
Intangible assets	6	61 697	-
<b>Current assets</b>		<b>21 650 019</b>	<b>30 798 013</b>
Debtors	7	1 193 001	669 435
Bank balances and cash	8	20 457 018	30 128 578
<b>Total assets</b>		<b>27 618 957</b>	<b>34 371 596</b>



**METSWEDING DISTRICT MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS 2008/09****STATEMENT OF FINANCIAL PERFORMANCE  
for the year ended 30 June 2009**

	NOTES	2009 R	2008 R
<b>REVENUE</b>			
Regional Services Council levies		-	118 358
Interest earned – external investments		2 927 993	3 552 992
Government grants and subsidies	9	32 500 373	29 012 576
Other income	10	1 169 285	308 505
Gains on disposal of property, plant and equipment		76 316	-
<b>Total revenue</b>		<b>36 673 967</b>	<b>32 992 431</b>
<b>EXPENDITURE</b>			
Employee related costs	11	15 069 000	11 987 017
Remuneration of councillors	12	2 373 186	2 151 277
Bad debts		-	10 425
Depreciation		987 132	954 432
Amortisation		8 434	-
Repairs and maintenance		898 029	620 165
Finance costs		918	-
Regional services – operational		10 051 206	7 048 418
Grants and subsidies paid – capital	13	62 130	2 890 784
General expenses	14	9 981 515	7 367 120
Loss on disposal of property, plant and equipment	5	172 593	116 130
<b>Total expenditure</b>		<b>39 604 143</b>	<b>33 145 768</b>
<b>DEFICIT FOR THE YEAR</b>		<b>-2 930 176</b>	<b>-153 337</b>

No segmental statement of financial performance has been prepared.

Refer to Appendix B(1) for comparison with the approved budget.



**METSWEDING DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS 2008/09**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**for the year ended 30 June 2009**



# METSWEDING DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS 2008/09

### STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2009

	Revaluation Reserve	Government Grant Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R
<b>2008</b>				
Balance at 1 July 2008	-	343 590	17 217 334	17 560 924
Deficit for the year			-270 346	-270 346
Correction of error (Note 17)			117 009	117 009
Asset disposals		-27 145	27 145	-
Offsetting of depreciation		-206 271	206 271	-
<b>Balance at 30 June 2008</b>	<b>-</b>	<b>110 174</b>	<b>17 297 413</b>	<b>17 407 587</b>
<b>2009</b>				
Deficit for the year			-2 930 176	-2 930 176
Transfer to revaluation reserve	2 652 838			2 652 838
Offsetting of depreciation		-46 845	46 845	-
<b>Balance at 30 June 2009</b>	<b>2 652 838</b>	<b>63 329</b>	<b>14 414 082</b>	<b>17 130 249</b>





**METSWEDING DISTRICT MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS 2008/09****CASH FLOW STATEMENT  
for the year ended 30 June 2009**

	NOTES	2009 R	2008 R
<b>CASH FLOWS UTILISED IN OPERATING ACTIVITIES</b>			
Cash receipts from levy payments, government and other sources		24 596 908	26 007 103
Cash paid to suppliers and employees		-36 361 182	-32 081 841
Cash utilised in operations	15	-11 764 274	-6 074 738
Interest received		2 927 993	3 552 992
<b>NET CASH UTILISED IN OPERATING ACTIVITIES</b>		<b>-8 836 281</b>	<b>-2 521 746</b>
<b>CASH FLOWS UTILISED IN INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment / intangible assets		-910 677	-1 576 917
Proceeds on disposal of fixed assets		76 316	
<b>NET CASH UTILISED IN INVESTING ACTIVITIES</b>		<b>-834 361</b>	<b>-1 576 917</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		-918	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>-918</b>	<b>-</b>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENT</b>		<b>-9 671 560</b>	<b>-4 098 663</b>
Cash and cash equivalents at the beginning of the year		<b>30 128 578</b>	<b>34 227 241</b>
Cash and cash equivalents at the end of the year	16	<b>20 457 018</b>	<b>30 128 578</b>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009****1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS****1.1 BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	Effects of changes in foreign exchange rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and separate financial statements
GRAP 7	Investments in associates
GRAP 8	Interests in joint ventures
GRAP 9	Revenue from exchange transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 16	Investment property
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities, and contingent assets
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 101	Agriculture
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

**1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgements and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgements and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

**1.4 RESERVES**

**1.4.1 Government Grant Reserve**

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit). The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

**1.5 PROPERTY, PLANT AND EQUIPMENT**

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**for the year ended 30 June 2009**

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, it is initially recognised at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy, refer to note 5. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Subsequently land and buildings are stated at revalued amounts, being the fair value of the land and buildings at the date of revaluation less subsequent accumulated depreciation and impairment losses in respect of buildings only. All other items of property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Revaluations are performed with sufficient regularity, but at least every three to five years, to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

A decrease in the carrying amount of land and buildings as a result of a revaluation is recognised as an expense unless there is a revaluation surplus in the reserve account. Any amount in excess of the revaluation surplus is recognised as an expense.

Land is not depreciated as it is regarded as having an infinite life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:-

**Other:**

Land and buildings	Not depreciated
Motor vehicles	5 years
Office equipment and computers	3 – 5 years
Furniture and fittings	3 – 7 years

**1.6 INTANGIBLE ASSETS**

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in the statement of financial performance as incurred.

**1.6.1 Computer Software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software	3 – 5 years
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

**1.7 FINANCIAL INSTRUMENTS**

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

**1.8 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are excluded. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**1.9 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

**1.10 EMPLOYEE BENEFITS**

**1.10.1 Short-term employee benefits**

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

**1.10.2 Retirement benefits**

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**1.11 REVENUE RECOGNITION**

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

**1.11.1 Revenue from exchange transactions**

**Grants and donations received**

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

**Deferred Income**

Government grants are recognised as deferred income in the statement of financial position when there is reasonable assurance that such revenue will be received and that the Municipality will comply with the conditions attaching the to the grant. Deferred grant income is classified to the statement of financial position as revenue on a systematic basis over the period necessary to match the grants with the related costs for which they are intended to compensate.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised.

**1.11.3 Other**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**1.12 VALUE ADDED TAX**

The municipality accounts for Value Added Tax on the invoice basis.

**1.13 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No.56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.





**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

**1.14 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No.56 of 2003), the Municipal Systems Act, 2000 (Act No.32 of 2000), the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.15 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.16 COMPARATIVE INFORMATION**

Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current year only. Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.



**METSWEDING DISTRICT MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS 2008/09****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>2. PROVISIONS</b>		
Provision for performance bonuses	57 068	125 220
Correction of Error (Note 17)	-	-68 152
<b>Total Provisions</b>	<b>57 068</b>	<b>57 068</b>
Movement in provision for performance bonuses		
<b>Balance beginning of year</b>	<b>57 068</b>	<b>322 957</b>
Contributions	-	57 068
Performance bonuses paid to employees	-	-322 957
<b>Balance end of year</b>	<b>57 068</b>	<b>57 068</b>
Opening balances for 2007 restated. (See note 16)		
<b>3. CREDITORS</b>		
Trade creditors	2 516 343	926 042
Retentions	385 884	385 884
Staff leave	1 370 090	886 507
<b>Total Creditors</b>	<b>4 272 317</b>	<b>2 198 433</b>
<b>4. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>4.1 Conditional Grants from other spheres of Government</b>	<b>6 159 323</b>	<b>14 708 508</b>
LGTF - Local Government Transition Fund Grant	-	14 982
HIV & AIDS Grant	3 181 033	6 352 416
LED - Local Economic Development Grant	-	1 043 502
LED - Local Economic Development Grant Entrepreneurial Development Centre	-	1 442 477
MSP - Municipal Support Programme Grant	264 696	1 364 886
LED - Local Economic Development Thuthuka Poultry Grant	14	22 429
BSRP - Building for Sports & Recreation Programme Grant	442 512	451 554
MSIG - Municipal Systems Improvement Grant	872 308	1 946 737
WSP - Water & Sanitation Master Plan Capacity Building Grant	839 199	986 199
FMG - Financial Management Grant	364 206	397 326
ITPR - Integrated Transport Plan Railway Study Grant	87 149	87 149
GT - Finance Intern Support Grant	53 136	-
S249 - Construction of Road S249 Grant	1 986	1 986
IDP NSDP - National Spatial Development Perspective Grant	53 084	596 865
<b>Total Conditional Grants and Receipts</b>	<b>6 159 323</b>	<b>14 708 508</b>
See Note 9 for reconciliation of grants from other spheres of government.		
These amounts are invested until utilised.		



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

**5. PROPERTY, PLANT AND EQUIPMENT**

Reconciliation of Carrying Value	Land and Buildings R	Other PPE R	Total R
<b>30 June 2009</b>			
<b>Carrying values</b>			
<b>at 1 July 2008</b>	<b>999 105</b>	<b>2 574 478</b>	<b>3 573 583</b>
<i>Cost</i>	999 105	5 045 376	6 044 481
<i>Accumulated depreciation - Cost</i>	-	-2 470 898	-2 470 898
 <i>Acquisitions</i>	-	840 546	840 546
<i>Increases/decreases in revaluation</i>	2 650 895	-	2 650 895
<i>Depreciation - based on cost</i>	-	-987 132	-987 132
<i>Carrying value of disposals</i>	-	-172 594	-172 594
<i>- Cost/revaluation</i>	-	-1 604 586	-1 604 586
<i>- Accumulated depreciation</i>	-	1 431 992	1 431 992
<b>Carrying values</b>			
<b>at 30 June 2009</b>	<b>3 650 000</b>	<b>2 257 241</b>	<b>5 907 241</b>
<i>Cost</i>	999 105	4 281 336	5 280 441
<i>Revaluation</i>	2 650 895	-	2 650 895
<i>Accumulated depreciation - Cost</i>	-	-2 024 095	-2 024 095
<i>- Cost</i>		-2 026 038	-2 026 038
<i>- Change in accounting estimate</i>		1 943	1 943
<b>30 June 2008</b>			
<b>Carrying values</b>			
<b>at 1 July 2007</b>	<b>999 105</b>	<b>2 068 122</b>	<b>3 067 227</b>
<i>Cost</i>	999 105	4 067 922	5 067 027
<i>Accumulated depreciation - Cost</i>	-	-1 999 800	-1 999 800
 <i>Acquisitions</i>	-	1 522 917	1 522 917
<i>Correction of error - Acquisitions (Note 17)</i>	-	54 000	54 000
<i>Depreciation</i>	-	-954 431	-954 431
<i>- based on cost</i>	-	-949 288	-949 288
<i>- correction of error (Note 17)</i>	-	-5 143	-5 143
<i>Carrying value of disposals</i>	-	-116 130	-116 130
<i>- Cost/revaluation</i>	-	-599 463	-599 463
<i>- Accumulated depreciation</i>	-	483 333	483 333
<b>Carrying values</b>			
<b>at 30 June 2008</b>	<b>999 105</b>	<b>2 574 478</b>	<b>3 573 583</b>
<i>Cost</i>	999 105	5 045 376	6 044 481
<i>Accumulated depreciation - Cost</i>	-	-2 470 898	-2 470 898

Refer to Appendix A and B for more detail on property, plant and equipment.

**Pledged as security**

None of the assets included in property, plant and equipment have been pledged as security.



# METSWEDING DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS 2008/09

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2009

	2009 R	2008 R
<b>Detail of properties</b>		
Freehold land to the value of R950 000 (Cost: R189 105) was acquired through succession from our predecessor in title, the Eastern Gauteng Services Council. The land has been transferred into the name of the municipality on the 19th August 2009.	<u>950 000</u>	<u>189 105</u>
<b>Land and buildings comprise of the following properties</b>		
Remainder of Ptn 11, Kleinzonderhout 519 JR, Gauteng (Revalued 30 June 2009)	950 000	189 105
Erf 135, Erasmus Township, Bronkhorstspuit, Gauteng (Revalued 30 June 2009)	1 800 000	660 000
Erf 136, Erasmus Township, Bronkhorstspuit, Gauteng (Revalued 30 June 2009)	900 000	150 000
	<u><b>3 650 000</b></u>	<u><b>999 105</b></u>
<b>6. INTANGIBLE ASSETS</b>		
	<b>Computer software R</b>	<b>Total R</b>
<b>Carrying values at 1 July 2008</b>	-	-
Cost	-	-
Accumulated amortisation	-	-
Acquisitions - externally	70 131	70 131
Amortisation	-8 434	-8 434
<b>Carrying values at 30 June 2009</b>	<b>61 697</b>	<b>61 697</b>
Cost	70 131	70 131
Accumulated amortisation	-8 434	-8 434
	<b>2009 R</b>	<b>2008 R</b>
<b>7. DEBTORS</b>		
Investment interest accrued	2 471	39 811
Eastern Gauteng Services Council: Distribution account	-	7 754 333
Department of Sport, Arts, Culture & Recreation – Gauteng	580 000	
SAICA	46 500	
SARS VAT	503 030	568 624
Deposits	61 000	61 000
<b>Sub Total</b>	<b>1 193 001</b>	<b>8 423 768</b>
Less: Provision for bad debt	-	-7 754 333
<b>Total Debtors</b>	<u><b>1 193 001</b></u>	<u><b>669 435</b></u>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	2009 R	2008 R
<b>8. BANK BALANCES AND CASH</b>		
The Municipality has the following primary bank account: -		
<b><u>Current Account (Primary Bank Account)</u></b>		
Bank: ABSA Bank Ltd Account Number: 4053347128		
Cash book balance at beginning of year / (overdrawn)	<u>30 128 578</u>	<u>34 227 241</u>
Cash book balance at end of year / (overdrawn)	<u>20 457 018</u>	<u>30 128 578</u>
Bank statement balance at beginning of year / (overdrawn)	<u>30 128 578</u>	<u>34 227 241</u>
Bank statement balance at end of year / (overdrawn)	<u>20 457 018</u>	<u>30 128 578</u>
The municipality had opened and closed the following bank accounts during the year:		
<b><u>Fixed Deposit</u></b>		
Bank: ABSA Bank Ltd Account Number: 2068194788		
Cash book balance at beginning of year / (overdrawn)	<u>-</u>	<u>-</u>
Cash book balance at end of year / (overdrawn)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year / (overdrawn)	<u>-</u>	<u>-</u>
Bank statement balance at end of year / (overdrawn)	<u>-</u>	<u>-</u>
<b><u>Fixed Deposits</u></b>		
Bank: ABSA Bank Ltd Account Number: 2068194754 Account Number: 2068514261 Account Number: 2068660117		
Cash book balance at beginning of year / (overdrawn)	<u>-</u>	<u>-</u>
Cash book balance at end of year / (overdrawn)	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year / (overdrawn)	<u>-</u>	<u>-</u>
Bank statement balance at end of year / (overdrawn)	<u>-</u>	<u>-</u>



**METSWEDING DISTRICT MUNICIPALITY****ANNUAL FINANCIAL STATEMENTS 2008/09****NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	2009 R	2008 R
<b><u>Call Account</u></b>		
Bank: ABSA Bank Ltd		
Account Number: 9218634222		
Cash book balance at beginning of year / (overdrawn)	-	-
Cash book balance at end of year / (overdrawn)	-	-
Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

**9. GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	21 172 773	17 750 240
LG SETA	72 465	324 730
HIV & AIDS Grant	3 171 383	1 990 819
LED - Local Economic Development Capacity Building Grant	1 043 502	151 200
LED - Entrepreneurial Development Centre Grant	1 442 477	3 939 420
MSP - Municipal Support Programme Grant	1 850 190	367 542
LED - Local Economic Development Thuthuka Poultry Grant	22 415	30 935
BSRP - Building for Sports & Recreation Programme Grant	9 042	-
MSIG - Municipal Systems Improvement Grant	1 809 430	621 905
WSP - Water & Sanitation Master Plan Capacity Building Grant	147 000	272 355
FMG - Financial Management Grant	533 119	528 514
Gauteng Capacity Building Grant	-	140 997
S249 - Construction of Road S249 Grant	-	2 890 784
LGTF - Local Government Transition Fund Grant	14 982	-
GT - Finance Intern Support Grant	87 865	-
SACR - Confederation Cup Viewing Grant	580 000	-
IDP NSDP - National Spatial Development Perspective Grant	543 780	3 135
<b>Total Government Grants and Subsidies</b>	<b>32 500 373</b>	<b>29 012 576</b>

**9.1 Equitable Share**

This unconditional grant is used as general revenue

**9.2 LG SETA**

Balance unspent at beginning of year	-	128 750
Current year receipts	72 465	195 980
Conditions met - transferred to revenue	-72 465	-324 730
Conditions still to be met - transferred to liabilities (see note 4)	-	-

The conditions of the grant have been met. There was no delay or withholding of the subsidy



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	2009 R	2008 R
<b>9.3 HIV &amp; AIDS Grant</b>		
Balance unspent at beginning of year	6 352 416	6 260 235
Current year receipts	-	2 083 000
Conditions met - transferred to revenue	-3 171 383	-1 990 819
Conditions still to be met - transferred to liabilities (see note 4)	<u>3 181 033</u>	<u>6 352 416</u>

The conditions of the grant have been met to the extent that it has been expensed. The donor has approved the rollover of the unspent portion of the grant to the next financial year, over which period it will be spent.

**9.4 LED - Local Economic Development Capacity Building Grant**

Balance unspent at beginning of year	1 043 502	1 180 702
Current year receipts	-	14 000
Conditions met - transferred to revenue	-1 043 502	-151 200
Conditions still to be met - transferred to liabilities (see note 4)	<u>-</u>	<u>1 043 502</u>

The conditions of the grant have been met.

**9.5 LED - Entrepreneurial Development Centre Grant**

Balance unspent at beginning of year	1 442 477	5 381 897
Current year receipts	-	-
Conditions met - transferred to revenue	-1 442 477	-3 939 420
Conditions still to be met - transferred to liabilities (see note 4)	<u>-</u>	<u>1 442 477</u>

The conditions of the grant have been met.

**9.6 MSP - Municipal Support Programme Grant**

Balance unspent at beginning of year	1 364 886	732 428
Current year receipts	750 000	1 000 000
Conditions met - transferred to revenue	-1 850 190	-367 542
Conditions still to be met - transferred to liabilities (see note 4)	<u>264 696</u>	<u>1 364 886</u>

The conditions of the grant have been met to the extent that it has been expensed. There was no delay or withholding of the grant. The unspent portion of the grant will be spent during the next financial year.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>9.7 LED - Local Economic Development Thuthuka Poultry Grant</b>		
Balance unspent at beginning of year	<b>22 429</b>	<b>53 364</b>
Current year receipts	-	-
Conditions met - transferred to revenue	-22 415	-30 935
Conditions still to be met - transferred to liabilities (see note 4)	<b>14</b>	<b>22 429</b>

The conditions of the grant have been met. The project has been completed, with an unspent portion indicative of a saving on the project.

<b>9.8 BSRP - Building for Sports &amp; Recreation Programme Grant</b>		
Balance unspent at beginning of year	<b>451 554</b>	<b>451 554</b>
Current year receipts	-	-
Conditions met - transferred to revenue	-9 042	-
Conditions still to be met - transferred to liabilities (see note 4)	<b>442 512</b>	<b>451 554</b>

The conditions of the grant have been met to the extent that it has been expensed. Although phases 1 – 3 of the project have been completed, additional financing will be needed to complete phase 4 as the remaining amount is insufficient due to the escalation of costs. Dependant on financing secured, the unspent portion of the grant will be spent during either the next or subsequent financial years.

<b>9.9 MSIG - Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	<b>1 946 738</b>	<b>1 568 643</b>
Current year receipts	735 000	1 000 000
Conditions met - transferred to revenue	-1 809 430	-621 905
Conditions still to be met - transferred to liabilities (see note 4)	<b>872 308</b>	<b>1 946 738</b>

The conditions of the grant have been met to the extent that it has been expensed. There was no delay or withholding of the grant. Counter funding of Integrated Development Planning and related projects by the Gauteng Provincial Government has as a result that the unspent portion of the grant will only be spent during the next financial year.





**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>9.10 FMG - Financial Management Grant</b>		
Balance unspent at beginning of year	<b>397 326</b>	<b>425 840</b>
Current year receipts	500 000	500 000
Conditions met - transferred to revenue	-533 119	-528 514
Conditions still to be met - transferred to liabilities (see note 4)	<u><b>364 207</b></u>	<u><b>397 326</b></u>

The conditions of the grant have been met to the extent that it has been expensed. There was no delay or withholding of the grant. Due to the late appointment of finance interns during prior financial years, the unspent portion of the grant will only be spent during the next financial year.

**9.11 Gauteng Capacity Building Grant**

Balance unspent at beginning of year	-	<b>140 997</b>
Current year receipts	-	-
Conditions met - transferred to revenue	-	-140 997
Conditions still to be met - transferred to liabilities (see note 4)	<u>-</u>	<u>-</u>

The conditions of the grant have been met.

**9.12 Road S249 - Construction of Road S249 Grant**

Balance unspent at beginning of year	<b>1 985</b>	<b>518 691</b>
Current year receipts	-	2 374 078
Conditions met - transferred to revenue	-	-2 890 784
Conditions still to be met - transferred to liabilities (see note 4)	<u><b>1 985</b></u>	<u><b>1 985</b></u>

The conditions of the grant have been met. There was no delay or withholding of the grant. The project has been completed, with an unspent portion indicative of a saving on the project.

**9.13 IDP NSDP - National Spatial Development Perspective Grant**

Balance unspent at beginning of year	<b>596 865</b>	-
Current year receipts	-	600 000
Conditions met - transferred to revenue	-543 780	-3 135
Conditions still to be met - transferred to liabilities (see note 4)	<u><b>53 085</b></u>	<u><b>596 865</b></u>

The conditions of the grant have been met. The project has been completed, with an unspent portion indicative of a saving on the project.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>9.14 LGTF - Local Government Transition Fund Grant</b>		
Balance unspent at beginning of year	<b>14 982</b>	<b>14 982</b>
Current year receipts	-	-
Conditions met - transferred to revenue	-14 982	-
Conditions still to be met - transferred to liabilities (see note 4)	<u>-</u>	<u>14 982</u>

The conditions of the grant have been.

**9.15 ITPR - Integrated Transport Plan Railway Study Grant**

Balance unspent at beginning of year	<b>87 149</b>	<b>87 149</b>
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 4)	<u>87 149</u>	<u>87 149</u>

The conditions of the grant have been met to the extent that it has been expensed. The project has been completed, however the outcome remains inconclusive. The unspent portion of the grant will be augmented during the next financial year to further improve Integrated Transport Planning.

**9.16 WSP - Water & Sanitation Master Plan Capacity Building Grant**

Balance unspent at beginning of year	<b>986 199</b>	<b>1 258 554</b>
Current year receipts	-	-
Conditions met - transferred to revenue	-147 000	-272 355
Conditions still to be met - transferred to liabilities (see note 4)	<u>839 199</u>	<u>986 199</u>

The conditions of the grant have been met to the extent that it has been expensed. The unspent portion of the grant has been committed during the next financial year.

**9.17 GT - Finance Intern Support Grant**

Balance unspent at beginning of year	-	-
Current year receipts	141 000	-
Conditions met - transferred to revenue	-87 865	-
Conditions still to be met - transferred to liabilities (see note 4)	<u>53 135</u>	<u>-</u>

The conditions of the grant have been met to the extent that it has been expensed. There was no delay or withholding of the grant. Due to the late appointment of the finance intern, the unspent portion of the grant will only be spent during the next financial year.



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>9.18 SACR - Confederation Cup Viewing Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-580 000	-
Conditions still to be met - transferred to liabilities (see note 4)	<u><b>-580 000</b></u>	<u><b>-</b></u>

The conditions of the grant have been met. The donor committed during the current financial year, however receipt of the grant only took place during the next financial year. The delay was due to the donor's administrative incapacities.

**9.19 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act 2009, no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

**10. OTHER INCOME**

Prescription of leave credits	11 190	-
SAICA Contributions for learnerships	379 500	-
Insurance claims received	674 964	-
Retention money recognised as own income	-	205 301
Miscellaneous revenue	103 630	103 204
	<u><b>1 169 285</b></u>	<u><b>308 505</b></u>

**11. EMPLOYEE RELATED COSTS**

Salaries and wages	8 263 461	6 378 656
Contributions for bargaining council	2 287	1 648
Cellphone allowance	280 350	223 480
Housing subsidy	192 140	153 973
13th Cheques	601 205	449 066
Contributions for medical aid	604 345	472 287
Overtime payments	170 550	288 462
Contributions for pension and retirement funds	1 704 540	1 259 740
Performance bonus	-	57 068
Skills development levy	118 238	90 654
Travel allowance	2 228 932	1 756 178
Contributions for UIF	75 486	52 588
Provision for annual leave	827 466	735 211
Contributions for compensation commissioner	-	68 006
<b>Total Employee Related Costs</b>	<u><b>15 069 000</b></u>	<u><b>11 987 017</b></u>

There were no advances to employees.



# METSWEDING DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS 2008/09

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2009

	2009 R	2008 R
<b>Remuneration of the Municipal Manager: appointed 1 August 2004 - resigned 30 November 2007 (2008: 5 months)</b>		
Salary	-	161 239
13th Cheque	-	31 650
Leave encashed	-	76 331
Travel allowance	-	54 750
Housing allowance	-	31 669
Pension contribution	-	23 123
Performance bonus	-	134 389
<b>Total</b>	<b>-</b>	<b>513 151</b>

#### **Remuneration of the Municipal Manager: appointed 1 February 2008 (2008: 5 months)**

Salary	492 208	182 500
13th Cheque	38 507	-
Travel allowance	130 636	51 945
Medical aid contribution	22 349	6 941
Pension contribution	71 120	27 375
<b>Total</b>	<b>754 820</b>	<b>268 761</b>

#### **Remuneration of the Chief Financial Officer: appointed 2 January 2002**

Salary	366 423	325 889
13th Cheque	-	27 000
Leave encashed	30 406	22 827
Acting allowance	27 889	22 909
Travel allowance	127 200	101 700
Housing allowance	62 667	59 188
Pension contribution	77 161	70 400
Performance bonus	-	102 898
<b>Total</b>	<b>691 746</b>	<b>732 811</b>

## 12. REMUNERATION OF COUNCILLORS

Executive Mayor	476 238	428 786
Speaker	380 988	343 028
Councillors	547 971	506 337
Mayoral Committee's allowances	824 110	742 248
Councillors' pension contribution	143 879	130 878
<b>Total Councillors' Remuneration</b>	<b>2 373 186</b>	<b>2 151 277</b>

#### **In-kind Benefits**

The Executive Mayor, Speaker and three Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle for official duties. The Mayor has a full-time driver/bodyguard.



## METSWEDING DISTRICT MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS 2008/09

#### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2009

	2009 R	2008 R
<b>13. GRANTS AND SUBSIDIES PAID</b>		
Grant to Nokeng tsa Taemane Local Municipality (Roads Infrastructure)	-	2 890 784
Grant to Nokeng tsa Taemane Local Municipality (Sport Infrastructure)	10 308	-
Grant to Nokeng tsa Taemane Local Municipality (Regional Cemetery Infrastructure)	51 822	-
<b>Total Grants and Subsidies</b>	<b>62 130</b>	<b>2 890 784</b>

The grants paid are in the form of special infrastructure projects. It includes the transfer of cash grants.

#### 14. GENERAL EXPENSES

Included in general expenses is the following:-

Advertising	101 999	103 928
Audit fees	775 645	373 729
Cellphones and telephone costs	813 414	586 676
Computer services and consultancy fees	891 170	805 562
Entertainment	187 728	304 621
Fuel, oil and other vehicle operating costs	248 302	247 471
Insurance	197 248	198 835
Legal fees	61 957	241 257
Printing and stationary	317 640	251 454
Public relations	157 456	227 850
Rental - offices and buildings	480 000	480 000
Subscription SALGA	230 861	-
Training of councillors and staff	631 790	585 756
Travel and subsistence	792 985	1 017 104
Institutional capacity building and improvement of municipal systems	2 251 994	916 314
Security services	248 577	224 042
Public participation	244 494	159 839
Communication strategy	-	168 950
National spatial development perspective	477 000	-
Other	871 255	473 732
	<b>9 981 515</b>	<b>7 367 120</b>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>15. CASH GENERATED BY OPERATIONS</b>		
Deficit for the year	-2 930 176	-153 337
Adjustment for:-		
Depreciation	995 566	954 432
Gains on disposal of property, plant and equipment	-76 316	-
Loss on disposal of property, plant and equipment	172 593	116 130
Interest received	-2 927 993	-3 552 992
Interest paid	918	-
<b>Operating surplus before working capital changes:</b>	<b>-4 765 408</b>	<b>-2 635 767</b>
Decrease in levy debtors	-	214 038
Increase in other debtors	-523 565	-151 096
Decrease in provisions	-	-265 889
Increase in creditors	2 073 884	259 254
Decrease in unspent government grants	-8 549 185	-3 495 278
<b>Cash utilised in operations</b>	<b>-11 764 274</b>	<b>-6 074 738</b>

**16. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	20 457 018	30 128 578
<b>Total cash and cash equivalents</b>	<b>20 457 018</b>	<b>30 128 578</b>

**17. CORRECTION OF PRIOR PERIOD ERROR**

**17.1 Incorrect allocation of PPE**

Shelving was incorrectly allocated as repairs and maintenance

<b>Statement of Financial Position</b>	48 857
PPE - Office Furniture	54 000
PPE - Accumulated Depreciation Office Furniture	-5 143

<b>Statement of Financial Performance</b>	-48 857
Repairs and Maintenance Buildings	-54 000
Depreciation	5 143

**17.2 Provision for performance bonus**

Performance bonus provided in the absence of a signed performance agreement

<b>Statement of Financial Position</b>	68 152
Provision	68 152

<b>Statement of Financial Performance</b>	-68 152
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

Performance bonus

-68 152

**2009  
R**

**2008  
R**

**18. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL  
EXPENDITURE DISALLOWED**

**18.1 Unauthorised expenditure**

None

**18.2 Fruitless and wasteful expenditure**

None

**18.3 Irregular expenditure**

None

**19. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE  
MANAGEMENT ACT**

**19.1 Contributions to organised local government**

Opening balance	-	-
Council subscriptions	230 861	-
Amount paid - current year	-97 905	-
Amount paid - previous years	-132 956	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**19.2 Audit fees**

Opening balance	-	-
Current year audit fee	775 645	373 729
Amount paid - current year	-775 645	-373 729
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**19.3 VAT**

The net of VAT inputs and outputs receivables are shown in note 7.

**503 030**

**568 624**

All VAT returns have been submitted by the due date throughout the year.

**19.4 PAYE, UIF & SDL**

Opening balance	-	-
Current year payroll deductions	2 557 241	2 391 615
Amount paid - current year	-2 557 241	-2 391 615
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>19.5 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	3 801 169	1 915 123
Amount paid - current year	-3 801 169	-1 915 123
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>-</u>	<u>-</u>

**19.6 Non-Compliance with Chapter 11 of the Municipal Finance  
Management Act  
None****20. RETIREMENT BENEFIT INFORMATION**

Contributions by Council in respect of Councillor and employees retirement funding have been expended in the year. All councillors and employees belong to 5 defined contribution retirement funds administered individually, under the statutory protection of the Registrar of Pension Funds. These funds are the Municipal Councillors Pension Fund, the Municipal Employees Gratuity Fund, the Municipal Employees Provident Fund, the Local Government Pension Fund and the National Fund for Municipal Workers.

**21. CONTINGENT LIABILITY****None****22. PRIVATE PUBLIC PARTNERSHIPS****None****23. EVENTS AFTER THE REPORTING DATE****None****24. COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures B(1) and B(2)

**25. AWARDS TO CLOSE FAMILY MEMBERS IN TERMS OF SECTION 45 OF  
THE SUPPLY CHAIN MANAGEMENT POLICY****None****26. RELATED PARTY TRANSACTIONS****None**



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>R</b>	<b>R</b>
<b>27. RISK EXPOSURES</b>		
The municipality is at risk in the following areas:		
(i) Credit Risk, which is defined as the risk that one party to a financial instrument will fail to honour its obligation, thus causing the other party to incur a financial loss.		
(ii) Interest Rate Risk, which is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.		
Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, other debtors, short-term investment deposits and bank and cash balances.		
The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing.		
Long-term Receivables and Debtors are individually evaluated annually at balance sheet date for impairment or discounting.		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Debtors	1 193 001	669 435
Bank and Cash Balances	20 457 018	30 128 578
<b>Maximum Credit and Interest Risk Exposure</b>	<b>21 650 019</b>	<b>30 798 013</b>
<b>28. MUNICIPAL SUPPLY CHAIN REGULATIONS AUTHORISED DEVIATIONS FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES</b>		
The municipality procured goods and services in terms of Section 36(1)(a)(v) of the Local Government: Municipal Finance Management Act (56 of 2003): Municipal Supply Chain Regulations where the official procurement processes were dispensed with in an exceptional case where it was impractical to follow the official procurement processes.	<b>5 630 946</b>	<b>1 736 658</b>
The municipality procured goods and services in terms of Section 36(1)(a)(i) of the Local Government: Municipal Finance Management Act (56 of 2003): Municipal Supply Chain Regulations where the official procurement processes were dispensed with in an emergency.	<b>607 667</b>	-
<b>29. CONTINGENT ASSETS</b>		
Insurance claims awaiting feedback from underwriter, total value of	<b>600 491</b>	-



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2009**

claims

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## ANNUAL FINANCIAL STATEMENTS 2008/09

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
for the year ended 30 June 2009

	COST/REVALUATION				ACCUMULATED DEPRECIATION			
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Current year	Disposals	Closing balance
<b>Land and buildings</b>								
Land and buildings	999 105	2 650 895	-	3 650 000	-	-	-	-
	<b>999 105</b>	<b>2 650 895</b>	<b>-</b>	<b>3 650 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>								
Furniture and office equipment	1 867 015	486 326	-511 672	1 841 669	964 347	334 811	-509 333	789 825
Computer equipment	1 619 131	354 220	-607 293	1 366 058	553 163	525 195	-437 038	641 320
Vehicles	1 559 230	-	-485 621	1 073 609	953 388	125 183	-485 621	592 950
	<b>5 045 376</b>	<b>840 546</b>	<b>-1 604 586</b>	<b>4 281 336</b>	<b>2 470 898</b>	<b>985 189</b>	<b>-1 431 992</b>	<b>2 024 095</b>
<b>Total</b>	<b>6 044 481</b>	<b>3 491 441</b>	<b>-1 604 586</b>	<b>7 931 336</b>	<b>2 470 898</b>	<b>985 189</b>	<b>-1 431 992</b>	<b>2 024 095</b>

	CARRYING VALUE	
	Opening balance	Closing balance
<b>Land and buildings</b>		
Land and buildings	999 105	3 650 000
	<b>999 105</b>	<b>3 650 000</b>
<b>Other assets</b>		
Furniture and office equipment	902 668	1 051 844
Computer equipment	1 065 968	724 738
Vehicles	605 842	480 659
	<b>2 574 478</b>	<b>2 257 241</b>
<b>Total</b>	<b>3 573 583</b>	<b>5 907 241</b>



ANNUAL FINANCIAL STATEMENTS 2008/09

**BUDGET COMPARISON – REVENUE AND EXPENDITURE**  
for the year ended 30 June 2009

	2009 R Actual	2009 R Budget	2009 R Variance	2009 % Variance	Explanation of significant variances >10% of budget
<b>REVENUE</b>					
Interest earned - external investments	2 927 993	2 377 000	550 993	23	In excess of budget due to higher than anticipated cash on hand.
Government grants and subsidies	32 500 373	38 558 722	-6 058 349	-16	Below budget due to approved roll-overs, as well as less than anticipated receipt of provincial grants as a result of the global economic recession.
Gains on disposal of PPE	76 316	1 000	75 316	7532	Disposal of vehicles at a higher than anticipated gain.
Other income	1 169 285	358 500	810 785	226	In excess of budget due to the settlement of an insurance claim.
<b>Total Revenue</b>	<b>36 673 967</b>	<b>41 295 222</b>	<b>-4 621 255</b>	<b>-11</b>	
<b>EXPENDITURE</b>					
Employee related costs	15 069 000	17 355 350	-2 286 350	-13	Below budget due to unfilled vacancies.
Remuneration of Councillors	2 373 186	2 380 496	-7 310	-	
Finance costs	918	270 000	-269 082	-100	Below budget due to not taking up of external loans as a result of the global economic recession.
Depreciation	987 132	930 602	56 530	6	
Amortisation	8 434	-	8 434	100	
Repairs and maintenance	898 029	389 500	508 529	131	In excess of budget due to emergency repairs, covered by insurance.
Regional services - Operational	10 051 206	12 783 774	-2 732 568	-21	Below budget due to approved rollovers.
Contributions	-	1 200	-1 200	-100	
Grants and subsidies paid	62 130	-	62 130	100	
General expenses - other	9 981 515	9 354 513	627 002	7	
Loss on disposal of PPE	172 593	1 000	171 593	17 159	In excess of budget due to stolen goods as a result of a recent spate of burglaries at our offices.
<b>Total Expenditure</b>	<b>39 604 143</b>	<b>43 466 435</b>	<b>-3 862 292</b>	<b>-9</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>-2 930 176</b>	<b>-2 171 213</b>	<b>-758 963</b>	<b>35</b>	



ANNUAL FINANCIAL STATEMENTS 2008/09

**BUDGET COMPARISON - CAPITAL**  
for the year ended 30 June 2009

	2009 R Actual	2009 R Budget	2009 R Variance	2009 % Variance	Explanation of significant variances >10% of budget
<b>Land and Buildings</b>					Due to the global economic recession, no loans were taken up. "Actual" refers to the revaluation of all land and buildings.
Land and buildings	2 650 895	6 000 000	-3 349 105	-56	
	<b>2 650 895</b>	<b>6 000 000</b>	<b>-3 349 105</b>	<b>-56</b>	
<b>Other Assets</b>					Acquisition in excess of budget due to a change in business practices, whereby the practise of outsourcing print work was terminated. This resulted in the acquisition of additional equipment. Acquisition in excess of budget due to replacement of stolen goods as a result of a recent spate of burglaries at our offices.
Furniture and office equipment	486 326	330 000	156 326	47	
Computer equipment	354 220	110 000	244 220	222	
	<b>840 546</b>	<b>440 000</b>	<b>400 546</b>	<b>91</b>	
<b>TOTAL</b>	<b>3 491 441</b>	<b>6 440 000</b>	<b>-2 948 559</b>	<b>-46</b>	



ANNUAL FINANCIAL STATEMENTS 2008/09

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SEC 123, MFMA  
for the year ended 30 June 2009

Grants and Subsidies received: 2008/09								
Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
Equitable Share	NT	21 172 723	21 172 723	-	21 172 000	N/a	N/a	N/a
Financial Management	NT	500 000	533 119	-	500 000	N/a	Yes	N/a
HIV and AIDS	Prov	-	3 171 383	-	-	N/a	Yes	N/a
LED	Prov	-	1 043 502	-	-	N/a	Yes	N/a
LED - EDC	Prov	-	1 442 477	-	-	N/a	Yes	N/a
MSP	Prov	750 000	1 850 190	-	-	N/a	Yes	N/a
LED - Thuthuka	Prov	-	22 415	-	-	N/a	Yes	N/a
BSRP	Prov	-	9 042	-	-	N/a	Yes	N/a
MSIG	DPLG	735 000	1 809 430	-	735 000	N/a	Yes	N/a
IDP NSDP	DPLG	-	543 780	-	-	N/a	Yes	N/a
WSP	Prov	-	147 000	-	-	N/a	Yes	N/a
LGTF	NT	-	14 982	-	-	N/a	Yes	N/a
Finance Intern	GT	141 000	87 865	-	-	N/a	Yes	N/a
SACR Confed Cup	Prov	-	580 000	580 000	-	Delay: Admin	Yes	N/a
LG SETA	SETA	72 465	72 465	-	-	N/a	Yes	N/a
		<b>23 371 188</b>	<b>32 500 373</b>	<b>-</b>	<b>19 850 240</b>			

NT = National Treasury

GT = Gauteng Treasury

Prov = Gauteng Provincial Government

DPLG = Department of Provincial and Local Government

SETA = Local Government Sector Education and Training Authority



